



► April 20, 2020

Jennifer Piorko Mitchell
FINRA Office of the Corporate Secretary
1735 K Street, NW
Washington, DC 20006

Lisa Roth
630 First Avenue
San Diego, CA 92101
619-283-3500

Re: Regulatory Notice 20-04: FINRA Requests Comments on Proposed Amendments to the Capital Acquisition Broker (CAB) Rules

Dear Ms. Mitchell:

I appreciate the opportunity to comment on the proposed rule referenced above.

The rule proposal presents meaningful expansions under the CAB rules that I believe will encourage more firms to consider the regulatory framework.

In response to FINRA's requests for comment, please consider my comments, below:

1. Are there other categories of activities that FINRA should consider incorporating into the CAB definition without reducing investor protection?
 - a. I wish to echo the comments made in the letter submitted by Larry Starks, Senior Managing Director of Watermark Securities, Inc. I strongly support his position that FINRA should coordinate its CAB rules to the SEC's "M&A" No Action letter. In addition to Mr. Starks' comments regarding the operational challenges that exist under the current framework, I believe the coordination will result in more firms opting for the CAB platform and thus performing M&A activities from start to finish under FINRA's jurisdiction, which will result in stronger investor protections.
 - b. I support the proposed expansion of the definition of "institutional investor" to include "knowledgeable employee" and suggest that FINRA consider further expansion of the term in the to include professional legal representatives, in particular other regulated entities or individuals. This would round out the definition to include a broader range of counter-parties without compromise to investor protection.
 2. Are there unforeseen risks associated with allowing CABs to register as investment advisers that FINRA should consider? Are there unforeseen risks associated with allowing CABs to act as
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placement agents in certain secondary transactions involving unregistered securities?

- a. I agree with FINRA's proposal that CABs be permitted register as investment advisers. As a compliance consultant to existing and potential broker-dealers and investment advisers, I strongly believe that the prohibition against IA registration is a formidable (and unnecessary) barrier to firms considering the CAB platform.
 - b. I support FINRA's proposal to permit CABs to act as placement agent in secondary transactions involving unregistered securities but question why the proposal is limited to those issuers with which the CAB has previously acted as placement agent. Provided that the purchaser of such securities is an institutional investor, and the new sale falls within a Securities Act of 1933 (Securities Act) exemption from registration there seems to be no added risk to investors in the scenario in which a CAB could be a participant as a placement agent in any secondary offering.
3. Do the proposed amendments represent a reasonable incentive for eligible firms to elect CAB status?
- a. I believe that FINRA's consideration of amendments that would permit CABs to engage in M&A, secondary transactions and investment advisory activity will be viewed as substantial incentive for existing and new firms to adopt the CAB framework.
 - b. I also believe that FINRA and the investment community would greatly benefit from outreach to the professional associations and communities that engage in intermediary activities outside the scope of FINRA registration.¹ The unregistered entities and individuals affiliated with these groups may not be aware of the advantages CAB registration offers to their businesses, or the relevance of applicable regulations to their business practices. Their clients do not benefit from the investor protections that FINRA has to offer. Outreach to these groups in concert with the implementation of the proposed amendments would be timely and likely to expand FINRA's CAB registrations.
4. Do the proposed amendments reasonably maintain strong investor protections?
- a. As proposed, the rule amendments provide for strong investor protections that build on and/or are consistent with the current CAB framework.
 - b. Investor protection would be enhanced under proposed Rule 321, and I support the proposal.
5. Are there any expected economic impacts associated with the proposal not discussed in this Notice? What are they and what are the estimates of those impacts?

¹ See: www.ibba.org, www.bizbrokersofamerica.com and others.

- a. Even on the CAB platform, the economic impact of FINRA registration presents a substantial barrier to firms considering CAB registration, especially for firms that are currently unregistered. To lower the barrier, FINRA should consider adding CAB-specific compliance tools to its Small Firm Compliance Tools webpage, and should solicit CAB-specific contributions to its Peer-2-Peer Compliance Library.

In summary, I welcome FINRA's continued attention to the CAB framework, and support the ongoing effort to amend the platform to encourage broader adoption. I invite any questions FINRA may have regarding my comments.

Best regards,

//LISA ROTH//

Lisa Roth

President